

COSTING

The process of calculating the selling price of each item is known as costing.

A successful businessman calculate exactly what they spend to produce each item on the menu. Usually the expenses is multiplied by 3 to establish a fair selling price.

If you over-price the items on the menu, it will be too expensive and no one will buy from you. You will go bankrupt and be out of business soon. Remember no sales - no business - no profit.

If you under-price the items on the menu (Make it too cheap) you will not make a profit and then you might not be able to cover your expenses.

To enable you to run a business, you must do a proper costing to ensure that you make a reasonable profit.

Most restaurants multiply their actual cost by three to cover

- actual cost
- overheads (salaries, wages, rent, ect.)
- share holder dividends

Costing is actually very easy - **ONCE YOU UNDERSTAND TO USE THE FORMULA**

Quantity used (This is the amount of volume or mass used according to the recipe)

Quantity bought (This is the amount / volume (l or ml) or mass (kg or g) of the ingredients you bought in the shop.

Purchase price (also known as gross cost - this means the price paid for the quantity bought, e.g. you bought 5kg of flour for R12.00)

Actual cost (This is the cost of the amount ingredient you used)

FORMULA

$$\frac{\text{Quantity used}}{\text{Quantity bought}} \times \text{Purchase price} = \text{Actual Cost}$$

If you have to round off a number you must remember

You look at the figure next (Rightside) to the one that must be rounded off and apply the following rule:
If the figure is between 1 and 4 the one that have to be rounded of stays the same. E.g. Round the following number off to TWO decimals after the comma: 45,871 = 45,87

$$0,124 = 0,12$$

If the figure is between 5 and 9 the one you have to round of increases by 1 E.g. Round off the following number to TWO decimals after the comma 1,987 = 1,99

$$456,905 = 456,91$$

$$10,009 = 10,01$$

$$1,999 = 2,00 \text{ (because if you add 1 to 199 you get 200)}$$

Costing a Swissroll (yield 10 portions)

| INGREDIENTS | QUANTITY BOUGHT | GROSS COST | CALCULATION | ACTUAL COST |
|-------------------|-----------------|------------|---|--------------|
| 5 Large eggs | 1 dozen (12) | R4.40 | $\frac{5}{12} \times 4.40$ | R1.83 |
| 115g caster sugar | 1 kg packet | R5.20 | $\frac{115\text{g}}{1000\text{g}} \times 5.2$ | R0.60 |
| 75g flour | 2,5 kg flour | R5.99 | $\frac{75\text{g}}{2500\text{g}} \times 5.99$ | R0.18 |
| 40g self-raising | 500g packet | R2.39 | $\frac{40\text{g}}{500\text{g}} \times 2.39$ | R0.19 |
| 150g apricot jam | 900g | R7.29 | $\frac{150\text{g}}{900\text{g}} \times 7.29$ | R1.21 |
| TOTAL | | | | R4.01 |

The **TOTAL** is the **ACTUAL COST** of the Swissroll.

- If we want to sell the **WHOLE** swissroll multiply the total by 3 - your selling price therefore must be R12.00 (4.01 x 3 =R12.03 rounded off as R12.00)
- If we want to sell only one slice (portion), work out the actual cost per portion by dividing the total by the yield or number of portions [4.01 divided by 10 =R0.401 rounded off as 40c)
- If it cost you 40c to produce the slice you cannot sell it for 40 cents because then no profit and no cost have been calculated.
- **MULTIPLY** the cost of 1 portion by 3 (=R1.20 - is the correct selling price for 1 slice of swissroll.)

NOTE: You may find a problem with the differences between the mass you need and the mass you bought of a specific ingredient. Then please observe the following rules:

1. You **CANNOT** mix mass (kg/g) with volumes (l/ml) in the same formula (if this happens that you buy an item by mass and your recipe gives it in ml -- you must use the conversion tables to change the amount used to the same as what it was bought in)
2. You should also always **USE THE SAME** unit for calculations (do not mix l with ml or kg with g) you must change the kg to grams or the litres to ml **REMEMBER** 1kg =1000g (e.g. 2,5kg =2500g)
1liter =1000ml
3. Sometimes the recipe require 300g vegetable or fruit and you bought it by bunch / box. Then you must guess the weight of 1 item and decide how much you will use E.g. 6 beetroot in a bunch for R1,99 but you need 300g of beetroot. Now you will determine the mass of 1 beetroot say 100g so the bunch will weigh 600g (100x6) Now you can use this in your formula

$$\frac{\text{Quantity used}}{\text{Quantity bought}} \times \text{purchased price} = \frac{300\text{g}}{600\text{g}} \times \text{R1,99} = \underline{\underline{\text{R}}}$$